

Message Text

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DOD/OAD/ISA CAPT. WHELAN

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R 231646Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

INFO AMEMBASSY TOKYO

AMCONSUL AUCKLAND

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

USMISSION USUN NEW YORK

CINCPACREP GUAM/TTPI

CINCPAC HONOLULU HI

COMTWLEVE SAN FRAN CALIF

C O N F I D E N T I A L STATE 014692

LIMDIS

E.O. 11652: GDS

TAGS: US, TQ, EGEN

SUBJ: MICRONESIA-NEW FOREIGN INVESTMENT POLICY

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CINCPACREP PASS TO STATUS LNO TRENT, SAIPAN

CINCPAC ALSO FOR POLAD
COMTWELVE FOR AMBASSADOR WILLIAMS

1. UNCLASSIFIED SEPTEL ADVISES OF NEW US FOREIGN INVESTMENT POLICY WHICH WILL AUTHORIZE, FOR THE FIRST TIME, NON-US FOREIGN INVESTMENT IN MICRONESIA. AS PRACTICAL MATTER, GEOGRAPHIC PROXIMITY, EXISTING HIGH LEVEL JAPANESE INTEREST, HISTORIC TIES, JAPANESE TOURISM, AND EXISTING SUB ROSA JAPANESE INVESTMENT THROUGH MICRONESIA FRONTS ALL ASSURE THAT JAPANESE WILL BE THE MAIN BENEFACTORS UNDER NEW POLICY. RISK EXISTS UNDER-CAPITALIZED (PRIVATE SECTOR), AND UNSOPHISTICATED MICRONESIAN ECONOMY COULD, IN TIME, BE DOMINATED AND EVEN CONTROLLED BY JAPANESE- ESPECIALLY IN ABSENCE ANY SIGNIFICANT COUNTER-BALANCING FOREIGN INVESTMENT.

2. WHILE WE CANNOT (OWING "MOST FAVORED NATION" CLAUSE OF TRUSTEESHIP AGREEMENT) DISCRIMINATE AGAINST JAPANESE INVESTORS ON NATIONAL BASIS, WE BELIEVE IT IS IN MICRONESIAN (AND US) INTEREST TO TRY TO OFFSET POTENTIALLY OVER-WHELMING JAPANESE ECONOMIC PRESENCE TO SOME DEGREE THROUGH INVESTMENT FROM OTHER NATIONS. IN THIS REGARD, IF OCCURS TO US THAT MAJOR AUSTRALIAN AND NEW ZEALAND FIRMS WHICH HISTORICALLY HAVE HAD MAJOR INVESTMENTS IN OTHER PACIFIC ISLANDS MIGHT BE ENCOURAGED TO EXAMINE AT EARLY DATE INVESTMENT POSSIBILITIES IN MICRONESIA- ESPECIALLY WITH RESPECT HOTEL DEVELOPMENT IN CONNECTION BURGEONING TOURISM INDUSTRY. FIRMS THAT MIGHT BE ESPECIALLY INTERESTED INCLUDE W.R. CARPENTER, BURNS, PHILIP, AND FLETCHER. ADDRESSEES UNDOUBTEDLY AWARE OF OTHERS.

3. ACCORDINGLY, REQUEST YOU (OR COMMERCIAL OFFICERS IN SYDNEY, MELBOURNE, AND AUCKLAND) CONTACT THESE AND OTHER APPROPRIATE FIRMS AS SOON AS POSSIBLE, ADVISE THEM OF CHANGE OF POLICY, AND ENCOURAGE THEM TO EXPLORE INVESTMENT POTENTIAL IN MICRONESIA. ADDITIONALLY, GOA AND GNZ SHOULD BE INFORMALLY (AND ORALLY) ADVISED OF ABOVE CONCERNS AND BE ASKED TAKE WHATEVER ACTION THEY BELIEVE APPROPRIATE OR POSSIBLE TO ENCOURAGE AUSTRALIAN AND NZ
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EXPLORATION INVESTMENT IN MICRONESIA. GOA AND GNZ SHOULD OF COURSE BE CAUTIONED NOT REPEAT NOT TO MENTION TO COMPANIES OR PRESS THAT OUR ENCOURAGEMENT OF AUSTRALIAN AND NZ INVESTMENT IS LINKED TO CONCERN FOR POTENTIAL MAGNITUDE JAPANESE INVESTMENT. KISSINGER

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